

## CAREFIRST, INC. EXECUTIVE RETIREMENT PLAN

## ARTICLE I

Purpose and Effective Date

The purposes of this Plan ("Plan") are to promote the growth and profitability of CareFirst, Inc. and its subsidiaries and affiliates, to attract and retain key executives of high competence, and to provide key executives with certain benefits under the terms and conditions hereof. The Plan is intended to be an unfunded plan maintained primarily for the purpose of providing deferred compensation for a select group of management employees as described in Section 401(a)(1) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"). The provisions of the Plan set forth in this document are effective January 1, 1999. As applicable to participants in the Blue Cross and Blue Shield of Maryland, Inc. Executive Retirement Plan (the "BCBSM Executive Plan"), this plan amends and restates, and is a continuation of, the BCBSM Executive Plan.

## ARTICLE II

Definitions

The following definitions apply to this Plan.

2.1 "Accrued Benefit" The benefit amount described in Section 4.1.

2.2 "BCBSM Executive Plan" This Blue Cross and Blue Shield of Maryland, Inc. Executive Retirement Plan.

2.3 "Beneficiary" The person or persons (including the Participant's estate) designated by a Participant to receive benefits under this Plan upon the Participant's death. A Participant's designation of a Beneficiary must be in writing on a form provided by the Company. It will be effective only upon receipt by the Company's Director of Compensation and Benefits. If a Participant fails to designate a beneficiary under this Plan, the Participant's Beneficiary shall be the person or persons (including the Participant's estate) entitled to receive benefits upon a Participant's death under the Qualified Plan in which the Participant was accruing benefits at his or her death.

2.4 "Benefit Restoration Plan" The CareFirst, Inc. Benefit Restoration Plan.

2.5 "Board" The Board of Directors of CareFirst, Inc.

2.6 "CareFirst" CareFirst, Inc.

2.7 "Cause" Unless a Participant's employment contract provides a different definition, "Cause" shall refer to any of the following: (i) a felony conviction; (ii) the commission of an act of fraud or embezzlement against the Company; (iii) willful misconduct (materially detrimental to the Company) or gross negligence materially detrimental to the Company; (iv) continued failure to implement reasonable requests or directions arising from actions of the Board after thirty (30) days written notice; or (v) failure to put forth a good-faith effort in the performance of job duties. If a Participant's employment contract provides a different definition of "Cause" (or other term that defines conduct on the part of the Participant that permits the Employer to terminate the contract without liability to the Participant), that definition shall control and shall be substituted for the above in applying the Plan to that Participant.

2.8 "Code" The Internal Revenue Code of 1986, as amended.

2.9 "Committee" The Compensation Committee of the Board or other committee designated by the Board to administer the Plan.

2.10 "Company" CareFirst, Inc., and those affiliates, subsidiaries, and related companies and their respective successors and assigns as adopt the Plan with the approval of the Committee.

2.11 "Competitive Activity" Any of the following activities within the States (including the District of Columbia) in which the Company or any of its subsidiaries or affiliates does business:

(a) directly or indirectly, knowingly engaging or being interested in (as owner, partner, shareholder, employee, director, officer, agent, consultant or otherwise), with or without compensation, any business which is in competition with the business conducted by the Company, any successor to the Company's business, or any of their subsidiaries or affiliates; except that ownership of up to a five percent (5%) interest in a publicly traded corporation shall not, in itself, be a Competitive Activity; or

(b) employing or retaining (or participating in or arranging the employment or retention of) any person who is employed or retained by the Company, any successor to the Company's business or any of their subsidiaries.

(c) interfering with, disrupting or attempting to disrupt, the relationship, contractual or otherwise, between the Company or its subsidiaries or affiliates and any customer, supplier, lessor or lessee of the Company.

Accepting employment with a health care organization, in itself, shall not be a Competitive Activity so long as any competition between the health care organization and the Company and their subsidiaries or affiliates is insignificant.

If a Participant's employment contract provides a different definition of "Competitive Activity" (or other term that defines conduct on the part of the Participant that is prohibited because it competes with or interferes with the business of the Company or any of its affiliates or subsidiaries), that definition shall control and shall be substituted for the above in applying the Plan to that Participant.

2.12 "Disability" A condition entitling a Participant to disability benefits under the Company's long term disability plan.

2.13 "ERISA" The Employee Retirement Income Security Act of 1974, as amended.

2.14 "Executive Service" Means (i) the period of service with the Company as an officer with the position of Vice President or above, as approved by the Committee, and (ii) any additional period of time, whether or not a period of service with a Company, designated by the Committee as Executive Service.

2.15 "Final Average Compensation" A Participant's average annual base salary and annual incentive award from the Management Incentive Plan or similar incentive plan for the highest five consecutive calendar years out of the last ten calendar years prior to termination of employment.

2.16 "Minimum Benefit" The greater of a Participant's Restoration Benefit or, if applicable, the Participant's accrued benefit under the BCBSM Executive Plan as of December 31, 1998. In calculating the Minimum Benefit, a Participant's December 31, 1998 accrued benefit under the BCBSM Executive Plan shall be calculated (i) by applying the benefit formula as if the Participant had no further compensation and Executive Service after December 31, 1998 and, (ii) solely for purposes of determining eligibility for the benefit, and not in calculating the amount thereof, by aggregating the Participant's Executive Service before and after December 31, 1998.

2.17 "Offset Plans" All Qualified Plans and the Benefit Restoration Plan.

2.18 "Participant" An employee of the Company who is eligible to participate in the Plan as set forth in Article III.

2.19 "Plan" This CareFirst, Inc. Executive Retirement Plan, as the same may be amended from time to time.

2.20 "Qualified Plan" Any defined benefit plan (including any defined benefit plan which has previously been terminated by the Company) sponsored and maintained by the Company which is qualified or intended to be qualified under Section 401(a) of the Code and which covers a Participant.

2.21 "Restoration Benefit" A benefit equal to the benefit that the Participant would have received if he or she had been a participant in the Benefit Restoration Plan instead of being a Participant in this Plan.

2.22 "Retirement" Except as provided in the next sentence, a Participant's termination of employment for reasons other than death (i) at or after attaining age 62 and completing at least 5 years of Executive Service, or (ii) at or after attaining age 55 and completing at least 10 years of Executive Service. For purposes of determining a Participant's eligibility for a Restoration Benefit, "Retirement" means termination of employment under the early, normal, late or disability retirement provisions of a Qualified Plan.

### ARTICLE III

#### Eligibility

3.1 Designation by Committee. From time to time, the Committee may determine that certain employees of the Company, identified by name or by title or position, shall be designated as Participants. In making such determination, the Committee shall give consideration to the function and responsibilities of the employee, his or her past performance, his or her contributions to the profitability and growth of the Company and such other factors as the Committee may deem appropriate. The Committee's determination of the employees who are eligible to participate in the Plan need not be uniform and may be made selectively by the Committee among the employees of the Company. Notwithstanding the foregoing, no employee shall become a Participant, if, in the sole and absolute judgment of the Committee, the admission of such employee as a Participant would cause the Plan to fail to be a plan described in Section 401(a)(1) of ERISA.

3.2 Continuing Participants. By adopting the Plan, the Board confirms as Participants eligible to participate in the Plan the employees listed in Exhibit A hereto.

### ARTICLE IV

#### Benefits

4.1 Accrued Benefit. A Participant's Accrued Benefit under this Plan as of any date, when expressed as an immediate lump sum payment, will equal (i) plus (ii) minus (iii), where

(i) equals 40% of the Participant's Final Average Compensation for each of the Participant's first five complete years of Executive Service;

(ii) equals 30% of the Participant's Final Average Compensation for each of the Participant's next ten complete years of Executive Service; and

(iii) equals the offset described in Section 4.6.

If a Participant's employment terminates with a partial year of Executive Service, he or she shall be credited with a pro-rated amount for the partial year equal to the applicable percentage of Final Average Compensation (30% or 40%, as the case may be) multiplied by a

fraction the numerator of which is completed months of Executive Service during the partial year and the denominator of which is twelve (12).

Notwithstanding the above, a Participant's Accrued Benefit shall at least equal the Minimum Benefit.

4.2 Benefits at Retirement. A Participant shall be entitled to receive his or her Accrued Benefit upon Retirement.

4.3 Death Benefits. If a Participant's employment terminates due to death, the Participant's Beneficiary will be eligible to receive an amount equal to the Participant's Accrued Benefit, calculated as of the day before the Participant's death. This benefit shall be paid in a single lump sum payment as soon as practicable after the Participant's death. This benefit shall be paid in a form, if the Beneficiary so requests, (ii) if a Participant dies before becoming eligible for Retirement, the Committee, in its discretion, may require that payment of the benefit be deferred until the earliest date on which the Participant would have become eligible for Retirement assuming that the Participant had continued in Executive Service until that date, and (iii) if a Participant dies after terminating employment and while payment of lump sum benefits is deferred as provided in Section 4.7, the lump sum benefit that would have been payable to the Participant shall instead be paid to the Participant's Beneficiary as soon as practicable after the participant's death or at such later time, not later than the date the Participant would have attained age 62, as the Committee, in its discretion, determines. If a Participant's death benefit is paid in a form other than as an immediate or deferred lump sum, the lump sum amount described in this Section shall be converted to an actuarially equivalent form of payment using the actuarial assumptions that are used for that purpose by the Qualified Plan in which the Participant was accruing benefits at his or her death. If a Participant's death benefits are paid as a deferred lump sum payment, the amount to be paid shall be the lump sum amount determined under Section 4.1 above plus interest on such amount at the rate of 4.5% per annum, compounded annually, for the period between the Participant's death and payment.

4.4 Disability. If a Participant's employment terminates due to Disability, the Participant shall be entitled to the following benefits. If the Participant is eligible for Retirement when his employment terminates, the Participant shall receive his or her Accrued Benefit as provided in Sections 4.1 and 4.2. If the Participant is not eligible for Retirement when his employment terminates, then no benefits shall be paid under this Plan, and instead the Participant shall be transferred to, and become a participant in, the Benefit Restoration Plan and shall be entitled to whatever benefits are provided by that Plan, but in no event less than the Participant's Accrued Benefit as of the date his or her employment terminates.

4.5 Other Terminations. Unless otherwise approved by the Committee, no benefits shall be payable under this Plan to or in respect of a Participant whose employment terminates under circumstances other than Retirement, death or Disability as described in Sections 4.2, 4.3 and 4.4, respectively, except that the Participant shall receive his or her accrued benefit as of December 31, 1998 under the Restoration Plan, if any.

4.6 Offsets. The offset described in Section 4.1 (iii) equals the aggregate amount of the Participant's benefits under all Offset Plans. If a Participant's benefit under an Offset Plan begins at a different time, or is paid in a different form, than his or her benefit under this Plan, the offset under this Section 4.6 shall be calculated by converting the benefit under the Offset Plan to a benefit beginning at the same time and payable in the same form as the benefit under this Plan, using for that purpose the actuarial assumptions for converting benefits to other, actuarially equivalent, forms used by the Offset Plan.

4.7 Form of and Timing of Benefits. A Participant's benefits under this Plan shall begin when the Participant's benefits under the Qualified Plan begin and shall be paid in the same form as the Participant's benefits under the Qualified Plan, except that (i) the Committee, in its discretion, shall have the right to defer payment of lump sum amounts to any Participant who terminates employment before age 62 until the Participant attains age 62 and (ii) the Committee, in its discretion, may allow the benefit to be paid in another, actuarially equivalent, form if the Participant so requests. If a Participant is entitled to benefits from more than one Qualified Plan, then the time when benefits begin under this Plan and the form of payment of those benefits will be determined by reference to the Qualified Plan in which the Participant has the most valuable benefit.

If a Participant's benefits under this Plan are paid in a form other than as an immediate or deferred lump sum, the lump sum amount described in Section 4.1 shall be converted to an actuarially equivalent form of payment using the actuarial assumptions that are used for that purpose by whichever Qualified Plan is determining the form and timing of payment under this Plan. If a Participant's benefits under this Plan are paid as a deferred lump sum payment (including a deferral of payment until age 62 at the Committee's discretion as described above) the amount to be paid shall be the lump sum amount determined under Section 4.1 above plus interest on such amount at the rate of 4.5% per annum, compounded annually, for the period between termination of employment and payment.

4.8 Forfeiture of Benefits. Notwithstanding any provision of the Plan to the contrary, no benefits shall be paid in respect of a Participant, either directly to the Participant or to his or her Beneficiary, who is terminated for Cause, except that the Participant (or Beneficiary if applicable) shall receive the Participant's accrued benefit as of December 31, 1998 under the Restoration Plan, if any.

4.9 Noncompete. A Participant shall not engage in Competitive Activity within two years after terminating employment. If a Participant does so, the Company, in its discretion, may discontinue or postpone the payment of further benefits to or in respect of the Participant and may require that the Participant repay to the Company all amounts previously received under this Plan, plus reasonable attorney's fees and other cost of collection incurred by the Company. By participating in this Plan, each Participant shall be deemed to have acknowledged that the restriction on Competitive Activity and other provisions of this Section 4.9 are reasonable and necessary for the protection of the Company and that the Company will be irrevocably damaged if these provisions are not specifically enforced. Accordingly, in addition to the foregoing remedies, the Company will be entitled to seek and obtain an appropriate injunction or other

equitable remedy for the purposes of restraining the Participant from any actual or threatened breach of or otherwise enforcing these provisions and no bond or security will be required in connection therewith. If any restriction set forth herein is held by a court of competent jurisdiction to be unenforceable with respect to one or more geographic areas, lines of business and/or months of duration, then the Participant shall be deemed to have agreed to the reduction and limitation of such restriction to the minimal extent necessary so that the provisions of this Plan shall be enforceable. Notwithstanding the foregoing, the Committee may waive or modify its right to discontinue or postpone payments to any Participant by written agreement with such person, and a participant shall in all events receive his or her accrued benefit as of December 31, 1998 under the Restoration Plan, if any.

## ARTICLE V

### Administration

5.1 In General. The Committee shall administer the Plan and shall do so consistently with the Plan's provisions. In administering the Plan, the Committee shall have the authority, from time to time, to:

- (a) Determine whether an employee is eligible to become a Participant pursuant to Article III;
- (b) Determine whether a Participant has experienced an event giving rise to the payment of benefits hereunder;
- (c) Determine whether a Participant or a Participant's Beneficiary is entitled to receive benefits under the Plan;
- (d) Determine the amount of any benefit payable hereunder;
- (e) Interpret the Plan and make all other determinations and take all other actions necessary or advisable for the implementation and administration of the Plan;
- (f) Delegate its duties to an officer or employee, or a committee composed of officers or employees, of the Company;
- (g) Appoint or employ agents and delegate thereto such responsibilities and duties as may be necessary or appropriate to the effective administration of the Plan;
- (h) Direct the payment of any benefits payable hereunder from the general assets of the Company or from any trust fund maintained hereunder;
- (i) Prepare and enforce such rules, regulations and procedures as will be proper for the efficient administration of the Plan.

## 5.2 Claims Procedure.

(a) The Committee shall be responsible for determining all claims for payments under this Plan by Participants or their Beneficiaries. Within 90 days after receiving a claim (or within up to 180 days, if special circumstances require an extension of time and the claimant is so notified, including the reason for the delay), the Committee shall notify the Participant or Beneficiary of its decision if adverse to the claim. The Committee shall have full discretion to deny or grant a claim in whole or in part in accordance with the terms of the Plan. If the decision is adverse to the claimant, the Committee shall advise him of the Plan provision involved, of any additional information which he must provide to perfect his claim and why, and of his right to request a review of the decision.

(b) A claimant may request a review of an adverse decision by written request to the Committee made within 60 days after receipt of the decision. The claimant, or his attorney, may review pertinent documents and submit written issues and comments.

(c) Within 60 days after receiving a request for review (or within up to 120 days, if special circumstances require an extension of time and the claimant is so notified), the Committee shall notify the claimant in writing of (i) its decision, (ii) the reasons therefor, and (iii) the Plan provisions upon which it is based.

(d) The Committee may at any time alter the claims procedure set forth above, so long as the revised claims procedure complies with the Employee Retirement Income Security Act of 1974 and regulations issued thereunder.

5.3 Actions Final/No Liability. All actions, determinations, and decisions of the Committee shall be final, conclusive, and binding upon the Company, Participants, and their Beneficiaries. In carrying out its duties, the Committee will have full discretionary authority to exercise all powers and to make all determinations, consistent with the terms of the Plan, in all matters entrusted to it, and the Committee's determinations will be given deference and will be final and conclusive. Members of the Committee shall not be liable for any action taken or decision made in good faith relating to the Plan.

## ARTICLE VI

### Amendment and Termination

6.1 Amendment of Plan. The Committee may amend this Plan from time to time in any respect, provided, however, that no amendment may reduce the amount, or change the form or timing, of benefits already accrued by a Participant as of the date of amendment.

6.2 Termination of Plan. The Committee may at any time terminate the Plan in its entirety or as it applies to a Company, provided, however, that no termination of this Plan may reduce the amount of benefits already accrued by a Participant as of the date of termination. If this Plan is terminated, no new Participants shall enter the Plan, and existing Participants shall not accrue any additional benefits after the date of Plan termination, and the Accrued Benefits of



existing Participants, calculated as of the date of Plan termination, shall be paid in the form of actuarially equivalent lump sum payments made within 30 days after the termination of the Plan, for which purpose, actuarial equivalence shall be determined using the actuarial assumptions of the Qualified Plan in which the Participant has the most valuable accrued benefit at the time this Plan terminates.

## ARTICLE VII

### Miscellaneous Provisions

7.1 Unsecured General Creditor. The rights of a Participant or his or her Beneficiary to receive payment of any benefits under the Plan shall be and remain no greater than the rights of an unsecured general creditor of the Company. The Company may establish a trust, known as a "rabbi trust," for use in providing the benefits under the Plan with a trustee to be selected by the Company. The Company shall be under no obligation to fund any benefits hereunder. Any money or other property held by such trust shall, nevertheless, remain subject to the claims of creditors of the Company in the event of the Company's insolvency.

7.2 Limitation of Rights: No Contract of Employment. The terms of the Plan shall not be deemed to constitute a contract of employment between the Company and the Participant, and the Participant (or his or her Beneficiary) shall have no rights against the Company except as may be specifically provided herein. Moreover, nothing in the Plan shall be deemed to limit in any way the right of the Company to terminate a Participant's employment at any time or be evidence of any agreement or understanding, express or implied, that the Company will employ a Participant in any particular position or at any particular rate of remuneration.

7.3 Nonassignability. Neither a Participant nor any other person shall have any right to commute, sell, assign, transfer, pledge, anticipate, mortgage, or otherwise encumber, transfer, hypothecate, or convey in advance of actual receipt of those amounts, if any, payable hereunder, or any part thereof, which are, and all rights to which are, expressly declared to be unassignable and nontransferable. No part of the amounts payable shall, prior to actual payment, be subject to seizure or sequestration for the payment of any debts, judgments, alimony, or separate maintenance owed by a Participant or any other person, nor be transferable by operation of law in the event of a Participant's or any other person's bankruptcy or insolvency.

7.4 Employer Obligations. Each Company shall be obligated to pay compensation under this Plan to its own employees who are Participants in this Plan, and no Company shall be obligated to fulfill the obligations of any other Company to such Company's employees under this Plan.

7.5 Not a Bar to Corporate Act. Nothing contained in the Plan shall prevent the Company from engaging in any reorganization, recapitalization, merger, liquidation, spin-off, split-off, sale of assets, or other corporate transaction.

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7.6 Gender and Number. Whenever used herein, the masculine shall be deemed to include the feminine and the singular shall be deemed to include the plural, unless the context clearly indicates otherwise.

7.7 Captions. The captions of the articles, sections, and paragraphs of the Plan are for convenience only and shall not control or affect the meaning or construction of any of its provisions.

7.8 Severability. If any provision of this Plan is held illegal or invalid for any reason, such illegality or invalidity shall not affect any other provision hereof, but the Plan shall be construed and enforced as if such provision had not been included herein.

7.9 Successor. The provisions of the Plan shall be binding on the Company and its successors and assigns. The term successors as used herein shall include any corporate or other business entity which shall, whether by merger, consolidation, purchase, or otherwise acquire all or substantially all of the business and assets of the Company, and successors of any such corporation or other business entity.

7.10 Notice. Any notice or filing required or permitted to be given to the Company under the Plan shall be sufficient if in writing and hand delivered, or sent by registered or certified mail, to the Executive Vice President-General Counsel of CareFirst, at CareFirst's principal office. Such notice shall be deemed given as of the date of delivery or, if delivery is made by mail, as of the date shown on the postmark on the receipt for registration or certification.

7.11 Governing Laws. The provisions of the Plan shall be construed and interpreted according to the internal laws of the State of Maryland.

ATTEST:

CAREFIRST, INC.

By: Thurmon V. Harrison

By: Daniel J. Jewell

Date: July 27, 2000

Exhibit A

LIST OF EMPLOYEES ELIGIBLE TO PARTICIPATE UNDER  
THE CAREFIRST, INC.  
EXECUTIVE RETIREMENT PLAN  
AS OF JANUARY 1, 1999\*

<u>Name</u>	<u>Job Title as of January 1, 1999</u>
Jews, William	President & CEO
Wolf, David	EVP, Medical Management & Strategic Planning
Devou, Greg	EVP, Chief Marketing Officer
Astar, David	EVP, Operations
Chaney, G. Mark	EVP, CFO & Treasurer
Picciotto, John	EVP, General Counsel
Felber, Michael	SVP, Sales
Vecchioni, Sharon	SVP, Human Resources
Beauchesne, Donald	SVP, Operations
Baugh, Eric	SVP, Medical Affairs & Network Management
Reckert, Thomas	SVP, CIO
Carter Jr., Booker	VP, C & S
Costello, Rita	VP, Strategic Planning
Dean, Linda	VP, Customer Implementation
Deuterman, Pam	VP, FEP Operations
Gallant, Ann	VP, Corporate Communications
Hudock, William	VP, Underwriting

\* Per Compensation Committee action on December 3, 1998.

